

DHCFP Bundled Payment Report, Volume I

This report is the first volume in a series of comprehensive technical assistance reports intended to provide support to providers and payers seeking to develop bundled payment programs, as laid out in Section 64 of Chapter 288 of the Acts of 2010. This volume contains an introduction to bundled payments and a detailed review of existing bundled payment methodologies. Below are some key features and points addressed in the report.

Overview of bundled payments

- A bundled payment is a method of reimbursing a provider, or group of providers, for multiple health care services associated with a defined episode of care with a single payment. Under bundled payment arrangements, providers work together to assume the responsibility for taking care of patients with particular conditions and for achieving a specified outcome.
- The purpose of bundled payments is to move away from reimbursing providers for piece work in caring for people. Care should be delivered by providers working together in teams to achieve specific outcomes for specific conditions. The bundled payment methodology recognizes the team-based approach to encourage care coordination and eliminates the incentive under the fee-for-service system for providers to drive up volume without improving quality.

Review of five bundled payment models identified nationwide

- The Prometheus payment model was developed in 2004 by Health Care Incentives Improvement Institute, Inc., a non-profit organization. Under the Prometheus Payment Model, the payment is calculated as a patient specific, “evidence-informed case rate” (ECR). The Prometheus Payment Model currently has developed ECRs for twenty-one episodes, including acute and chronic medical conditions, as well as outpatient and inpatient procedures.
- Minnesota’s “Baskets of Care” model was established in March 2010, when Minnesota issued regulations establishing eight state-designated baskets of care, as well as quality measures for each basket. The uniform baskets of care definitions are intended to allow consumers to compare the baskets of care available from various providers.
- Geisinger Health System’s ProvenCare program is a single-package price that includes preoperative evaluation and workup, all hospital and professional fees, all routine post-discharge care, and management of any related complications occurring within 90 days of elective CABG surgery.

- The Integrated Healthcare Association (IHA) bundled episode payment pilot, based in California, intends to test the feasibility of bundling payments for patients undergoing total knee and hip replacement, and other acute conditions and surgical procedures.
- The Medicare Acute Care Episode (ACE) demonstration was implemented starting in early 2009 on selected hospitals in Texas, Oklahoma, New Mexico, and Colorado, and targets 28 cardiac and 9 orthopedic inpatient surgical services. The demonstration allows physicians and hospitals to share financial rewards for implementing improvements in efficiency and quality, and Medicare will share 50 percent of the savings it gains under the demonstration with the patient.

Information on demonstration programs and issues related to bundled payments and other payment and delivery models under Patient Protection and Accountable Care Act (PPACA)

- The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act, enacted in March 2010, includes a number of provisions related to testing new payment and delivery models in health care. The report provides an overview of those provisions regarding a national bundled payment pilot program, Accountable Care Organizations (ACOs), and the establishment of Center for Medicare and Medicaid Innovation (CMMI).
- The report's findings suggest that conditions/procedures for the bundled payment arrangement should have well-defined clinical definitions and guidelines that will help providers and payers to identify which patients are eligible for bundled payments and group their related services. Additionally, the issues of determining a base payment rate, case mix adjustment, and how to attribute risk are significant, and require negotiations between the various providers involved in an episode of care and the relevant payer.

About DHCFP

The mission of the Division of Health Care Finance and Policy is to improve health care quality and contain health care costs by critically examining the Massachusetts health care delivery system and providing objective information, developing and recommending policies, and implementing strategies that benefit the people of the Commonwealth.